

Message Text

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TAGS: ETRD EAGR SP

SUBJECT: CHANGES IN SOYBEAN SITUATION

1. ON MARCH 10, 1978 THE GENERAL SUPPLY COMMISSION (CAT) AGREED TO CONTRACT WITH LOCAL CRUSHERS THE PURCHASE OF 90,000 METRIC TONS OF SOYBEAN OIL FOR DELIVERY FROM APRIL THROUGH DECEMBER 1978 (SEE TOFAS 30, MARCH 10, 1978). SUBSEQUENTLY, AND AS IS CUSTOMARY, LOCAL CRUSHERS DREW UP A CONTRACT BASED ON THE CHICAGO MARKET FUTURES AND SUBMITTED IT TO CAT FOR SIGNATURE. UPON RECEIPT OF THE DOCUMENT CAT OFFICIALS REFUSED TO SIGN IT ON THE GROUNDS THAT THEY COULD NOT DO SO BECAUSE THE CHICAGO MARKET FUTURES FOR SOYBEAN OIL HAD GONE UP SUBSTANTIALLY AND THE RESULTING PRICE TO THE GENERAL SUPPLY COMMISSION WAS HIGHER THAN THE MAXIMUM RETAIL PRICE OF 70.00 PESETAS PER LITER ESTABLISHED IN JANUARY 1978 (SEE SP8012, JANUARY 31, 1978 REPORT), CAT OFFICIALS FURTHER STATED THAT IF THEY WERE TO SIGN THE CONTRACT IT WOULD MEAN THAT GOS WOULD HAVE TO SUBSIDIZE THE PRICE OF SOYBEAN OIL TO THE CONSUMER AND THEY DID NOT HAVE FUNDS FOR SUCH PURPOSE. CAT HAS THEREFORE POSTPONED THE SIGNATURE OF THE CONTRACT

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"SINE DIE" (THEORETICALLY UNTIL THE CHICAGO PRICE GOES DOWN) AND YET THE NEED FOR OIL SHOULD BE PRESSING BY APRIL.

2. IN THE OPINION OF LOCAL CRUSHERS THE SITUATION IS VERY COMPLICATED AND CONFUSING. THE CONSENSUS AMONG THE TRADE IS THAT THE MOST IMMEDIATE AND PLAUSIBLE ALTERNATIVE IS

FOR CAT TO SOMEHOW MANAGE TO OBTAIN THE GOVERNMENT'S APPROVAL AND THE NECESSARY FUNDS TO SUBSIDIZE THE PURCHASE OF ONE, TWO OR, AT MOST, THREE MONTHS' REQUIREMENTS TO MEET THE MOST PRESSING NEEDS. IF ADOPTED, THIS "PIECE MEAL" BUYING SYSTEM MIGHT INTERFERE WITH CRUSHERS' PROCESSING PLANS, PERHAPS DISRUPTING BEAN IMPORTS. ANOTHER ALTERNATIVE WHICH CANNOT BE DISCARDED WOULD BE TO RESORT TO THE IMPORTATION OF ANY KIND OF EDIBLE OIL, INCLUDING SOYBEAN OIL BUT NOT EXCLUDING SUNFLOWER OIL, TO MEET CONSUMPTION REQUIREMENTS. IF EITHER OF THE TWO CASES SHOULD MATERIALIZE, ATTACHE PROJECTIONS FOR IMPORTS OF BOTH SOYBEANS AND SOYBEAN MEAL IN 1978 WOULD REQUIRE ADJUSTMENTS SINCE BEAN IMPORTS WOULD LIKELY DECLINE AND MEAL PURCHASES WOULD BE EXPECTED TO BE LARGER THAN PROJECTED. THE READER SHOULD NOTE THAT THE PRECEDING SCENARIO IS HIGHLY SPECULATIVE AND THAT AT THIS TIME WE HAVE NO FIRM BASIS FOR READJUSTING OUR IMPORT PROJECTIONS AS STATED IN REPORT SP8024, MARCH 2, 1978. ANY NEW DEVELOPMENTS WILL BE REPORTED AS THEY OCCUR.

3. THERE IS NO QUESTION THAT CAT'S ATTITUDE CONSTITUTES A 180 DEGREE DEVIATION FROM WHAT HAS BEEN UNTIL ONLY A FEW DAYS AGO THE SPANISH GOVERNMENT'S POLICY WITH RESPECT TO SOYBEAN OIL DOMESTIC SUPPLY POLICIES. IT IS BELIEVED THAT UNDERLYING THIS ATTITUDE ON THE PART OF CAT THERE ARE STRONG POLITICAL CONTROVERSIES OVER AGRICULTURAL LIMITED OFFICIAL USE

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POLICY THAT ARE BEYOND THE SCOPE OF THE COMMISSION'S OWN POLITICAL POWER. THE MINISTRY OF COMMERCE, FOR INSTANCE, SEEMS TO HAVE RECONSIDERED THE SITUATION AND NOW APPEARS TO BE UNWILLING TO GIVE THE GREEN LIGHT TO THE 90,000-TON CONTRACT, "JUST IN CASE THE PRICE OF OIL WOULD GO DOWN IN CHICAGO AND THE OLIVE SECTOR AND OTHER PRESSURE GROUPS SHOULD ACCUSE THE DEPARTMENT OF PAYING A HIGH PRICE FOR SOYBEAN OIL FOR THE BENEFIT OF THE MULTINATIONALS". OBVIOUSLY THE MEMORIES OF THE DISASTROUS THREE-YEAR SUGAR IMPORT CONTRACT NEGOTIATED WITH CUBA IN 1975 WHICH RESULTED IN GROSS OVERPAYMENT ARE STILL FRESH IN THE MIND OF MINISTRY OF COMMERCE OFFICIALS. NEEDLESS TO SAY LOCAL CRUSHERS HAVE BEEN CAUGHT BY SURPRISE AND SO FAR THEY HAVE NOT REACTED. THEIR ATTITUDE IS ONE OF "WAIT-AND-SEE" WITH A CONSIDERABLE DEGREE OF APPREHENSION. STABLER

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